

EVALUATION OF THE CERTIFICATE OF NEED APPLICATION SUBMITTED ON BEHALF OF BY MANOR CARE OF SALMON CREEK, WASHINGTON LLC PROPOSING TO ESTABLISH A 120-BED SKILLED NURSING CENTER WITHIN CLARK COUNTY

PROJECT DESCRIPTION

Manor Care of Salmon Creek WA, LLC is a subsidiary of Manor Care Health Services, LLC, which is a subsidiary of Manor Care Inc, which, in turn is a subsidiary of HCR Manor Care, Inc, which is a subsidiary of the Carlyle Group. For all of the entities identified, only Manor Care of Salmon Creek WA, LLC is registered in Washington State. The remaining entities are registered in the state of Delaware. While Manor Care of Salmon Creek WA does not own or operate any healthcare facilities in Washington or any other state, Manor Care Health Services LLC is the parent company of several subsidiaries. The company operates primarily under the names of Heartland, ManorCare Health Services, and Arden Courts. [source: Application, p2 & Exhibit 1; October 24, 2007 supplemental information, p1 & Attachment A; and HCR ManorCare website]

As of end of year 2007, through its subsidiaries, Manor Care, Inc. owns, operates, or manages over 500 healthcare facilities, which includes skilled nursing centers, assisted living facilities, outpatient rehabilitation clinics, and hospice and home health offices across the nation. The health care facilities owned, operated, or managed by Manor Care, Inc. are grouped geographically into six operating divisions:

East Mid-West Central **West** Mid Atlantic Southeast

Washington State is located in the West division [in bold above], and includes facilities owned and operated by Manor Care Health Services, Inc. or its subsidiary Heartland. For Washington State, Manor Care Inc. owns and operates four skilled nursing facilities through its subsidiaries. Further, Manor Care Inc. owns and operates a home care agency and a Medicare certified home health agency through its Heartland subsidiary. The Washington State facilities and city of location are shown in the chart below. [source: Manor Care Website and Wikipedia]

Skilled Nursing Facilities

Manor Care of Gig Harbor WA, LLC, Gig Harbor
Manor Care of Lynnwood WA, LLC, Lynnwood
Manor Care of Spokane WA, LLC, Spokane
Manor Care of Tacoma WA, LLC, Tacoma

Home Care and Home Health Agencies

Heartland Home Care, Seattle
Heartland Home Health Care Services, Seattle

This application was submitted by Manor Care of Salmon Creek, WA, LLC, as a subsidiary of Manor Care, Inc. For Certificate of Need purposes, Manor Care of Salmon Creek, WA, LLC is considered the applicant, and will be referenced in this document as “MCSC.”

This project requests approval to establish a fifth skilled nursing facility (SNF) in Washington State. The proposed SNF would have 120 beds and be located on a parcel of land at 139th Street and 29th Avenue in Salmon Creek, within Clark County. The postmaster has not yet provided an address for the site; however, the Clark County Assessor Office identifies the site with five separate parcel

numbers.¹ The planning area for this project is the combined counties of Clark and Skamania. [source: Application, Exhibit 5 and Clark County Assessor website]

The proposed SNF would be a 53,435 gross square foot, two-story building with 30 private rooms and 45 semi-private rooms. The facility will also have two nurses stations, physical therapy, occupational therapy, speech therapy, recreational therapy space, resident lounges, dining rooms, beauty/barber shop, a kitchen, administrative offices and support areas. Services proposed to be provided at the new SNF include skilled nursing care, intensive rehabilitative therapies, respite care, and community outreach services. [source: Application, p4]

In past projects, DSHS has voiced concerns regarding the Program's use of the phrase "skilled nursing facility" or "SNF" when describing this type of project. Washington Administrative Code (WAC) 388-97-005 provides a definition for both "skilled nursing facility" and "nursing facility", which is restated below:

"Skilled nursing facility (SNF)" or "Medicare-certified skilled nursing facility" means a nursing home that has been certified to provide nursing services to Medicare recipients under Section 1819(a) of the Federal Social Security Act.

"Nursing facility (NF)" or "Medicaid-certified nursing facility" means a nursing home that has been certified to provide nursing services to Medicaid recipients under Section 1919(a) of the Federal Social Security Act.

The new facility in Clark County would seek certification to provide services to the Medicare and Medicaid populations. Based on the definitions above, the new facility is considered both an NF and an SNF. For this evaluation, the department will refer to the proposed facility as a skilled nursing facility or SNF.

The anticipated date of commencement of construction of the facility is July 2008, with an estimated date of completion of September 2009. The facility is expected to begin serving patients in November 2009. Under this timeline, the first full year of operation is projected to be calendar year 2010, and year three is 2012. [source: Application, p4 supplemental information, Appendix A, p4]

The estimated capital expenditure for this project is \$15,009,975, of which 59% is related to constructions costs; 14% is related to land purchase; 13% is related to equipment costs; 6% is related to corporate overhead; 5% is related to state sales tax; and the remaining 3% is related to fees and real estate taxes. [source: Application, p20]

APPLICABILITY OF CERTIFICATE OF NEED LAW

This project is subject to Certificate of Need review as the construction, development, or other establishment of a new health care facility under the provisions of Revised Code of Washington (RCW) 70.38.105(4)(a) and Washington Administrative Code (WAC) 246-310-020(1)(a) and 246-310-380.

¹ Parcel #s are 186686-000; 186633-010; 186633-005; 186633-000; and 186648-000.

CRITERIA EVALUATION

To obtain Certificate of Need approval, Manor Care of Salmon Creek, WA, LLC must demonstrate compliance with the criteria found in WAC 246-310-210 (need); 246-310-220 (financial feasibility); 246-310-230 (structure and process of care); and 246-310-240 (cost containment); and WAC 246-310-360 (nursing home bed need method).²

APPLICATION CHRONOLOGY

July 31, 2007	Letter of Intent Submitted
August 31, 2007	Application Submitted
September 1, 2007 through November 25, 2007	Department's Pre-Review Activities <ul style="list-style-type: none">• 1st screening activities and responses
November 26, 2007	Department Begins Review of the Application <ul style="list-style-type: none">• public comments accepted throughout review
January 30, 2008	Public Hearing Conducted/End of Public Comment
February 14, 2008	Rebuttal Documents Received at Department
March 31, 2008	Department's Anticipated Decision Date
March 31, 2008	Department's Actual Decision Date

CONCURRENT REVIEW AND AFFECTED PERSONS

As directed under WAC 246-310-130(5)(c), the department accepted this project under the 2007 nursing home current review cycle for the Clark/Skamania planning area. In accordance with Certificate of Need Program policy, when applications initially submitted under a concurrent review cycle are deemed not to be competing, the department has converted the review to the regular review process. Given that this application was the only application received under the concurrent review cycle for the Clark/Skamania planning area, the application was converted to a regular review.

Throughout the review of this project, one entity sought and received affected person status under WAC 246-310-010—Pacific Specialty and Rehabilitation Center located at 1015 North Garrison Road in Vancouver, within Clark County.

Additionally, one entity sought and received interested person status under WAC 246-310-010—SEIU Healthcare 775NW, a home care and nursing home workers union representing 30,000 home care and nursing home workers throughout the state. [source: SEIU Healthcare 775 NW website]

SOURCE INFORMATION REVIEWED

- Manor Care of Salmon Creek WA, LLC's Certificate of Need Application received August 31, 2007
- Manor Care of Salmon Creek WA, LLC's supplemental information dated October 25, 2007
- Public comment received during the course of the review
- Comments received at the public hearing conducted on January 30, 2008

² Each criterion contains certain sub-criteria. The following sub-criteria are not discussed in this evaluation because they are not relevant to this project: WAC 246-310-210(3), (4), and (5).

SOURCE INFORMATION REVIEWED (continued)

- Rebuttal comments received from Manor Care of Salmon Creek WA, LLC's dated February 12, 2008
- Rebuttal comments received from Pacific Specialty and Rehabilitation Care dated February 14, 2008
- Population data obtained from the Office Financial Management based on year 2000 census published November 2007
- Years 2005 and 2006 Medicaid cost report data provided by the Department of Social and Health Services³
- Licensing and/or survey data provided by the Department of Social and Health Services
- Data obtained for nursing homes, adult family homes, and boarding homes from Department of Social and Health Services website www.aasa.dshs.wa.gov
- Information obtained from the applicant's website at www.hcr-manorcare.com
- Certificate of Need Historical files
- Adult Family Home and Boarding Home Data obtained by The Gilmore Research Group received October 2005
- Revised Code of Washington 70.127 governing in-home service agencies

CONCLUSION

For the reasons stated in this evaluation, the application submitted by Manor Care of Salmon Creek is consistent with applicable criteria of the Certificate of Need Program, provided the applicant agrees to the following terms:

1. Prior to commencement of the project, Manor Care, Inc. shall provide to the department a copy of the Manor Care of Salmon Creek's final Admissions Agreement. This agreement must state that all services at this facility will be accessible to all persons without regard to race, color, ethnicity, sexual preference, disability, national origin, age or ability to pay.
2. Prior to providing services at Manor Care of Salmon Creek, Manor Care Inc. will provide functional plans outlining the services to be provided through a national contract with Manor Care, Inc. and those that would be provided within Clark County.

The approved capital expenditure associated with the establishment of a new, 120-bed skilled nursing facility in Clark County is \$15,009,975.

³ As of the writing of this evaluation, 2007 Medicaid cost report data is not available.

A. Nursing Home Bed Need Method (WAC 246-310-360)

For all applications where the need for nursing home beds is not deemed met as identified in RCW 70.38.115(13), the [following] mathematical calculation will be used as a guideline and represent only one component of evaluating need.

As stated in the project description portion of this evaluation, the proposed SNF would be an additional facility in Clark County, and the 120 beds would be added to the Clark/Skamania planning area's total bed count. As such, the need for an additional 120 beds must be demonstrated by the applicant. One component of evaluating need for additional SNF beds is applying the nursing home bed need numeric methodology. The ratio of 40 beds per 1,000 population over 65 years of age (40/1,000) is used for projecting total bed need for SNFs in the state and within a planning area.

The methodology, outlined in WAC 246-310-360, is a four-step process. The first step requires a computation of the statewide and planning area specific estimated bed need for the projection year.⁴ The second step requires a computation of the projected current supply ratio statewide and for each planning area. The third step requires a determination of the planning areas that will be under the established ratio, or over the established ratio in the projection year. The fourth, and final step, requires a comparison of the most recent statewide bed supply with the statewide estimated bed need.

Application of the first four steps of the methodology outlined above indicates that Washington State is projected to be under the 40/1,000 established ratio by 7,865 beds in year 2010—the projection year.

Step four provides further guidance if the current statewide bed supply is greater than or equal to the statewide estimated bed need, or if the current statewide bed supply is less than the statewide estimated bed need. Given that the current statewide bed supply is less than the statewide estimated bed need, the department must then determine the difference between the statewide estimated bed need and the statewide current bed supply, which is referenced as “statewide available beds.” The methodology then requires a comparison of whether the statewide available beds is sufficient to allocate to each planning area under the established 40/1,000 ratio enough beds to bring that planning area up to the established ratio. If there is not enough beds, the methodology directs the department to assign to each planning area under the established ratio a proportion of statewide available beds equal to the ratio of that planning area's bed need to reach the established ratio in the projection year. The proposed health planning area for this project is the combined counties of Clark and Skamania. Application of this portion of step four to the Clark/Skamania planning area yields 907 additional beds could be added to bring the planning area to the established ratio in the projection year.

To demonstrate need for an additional 120 beds, MCSC provided calculations that conclude the planning area is currently under the 40/1,000 established ratio. While comments were provided by both affected and interested persons in opposition to this project, none of the comments dispute the methodology's mathematic conclusion of need for additional beds within the planning area.

In conclusion, the numeric methodology is a population-based assessment to determine the baseline supply of nursing home beds within the state and planning areas to determine whether the

⁴ For nursing home applications submitted in the 2007 concurrent review cycle, 2010 is the projection year.

existing number of beds is adequate to serve the elderly population. Based solely on the numeric methodology, the department would conclude that additional nursing home beds are justified in the Clark/Skamania planning area in the projection year 2010.

B. Need (WAC 246-310-210)

Based on the source information reviewed, the department determines that the application is consistent with the applicable need criteria in WAC 246-310-210.

(1) *The population served or to be served has need for the project and other services and facilities of the type proposed are not or will not be sufficiently available or accessible to meet that need*

WAC 246-310-210 requires the department to evaluate all CN applications based on the population's need for the service and determine whether other services and facilities of the type proposed are not, or will not be, sufficiently available or accessible to meet that need. Additionally, subsection (6) identifies the process to be used to evaluate this sub-criterion. Specifically, if the state is below the statewide estimated bed need, the department shall determine the need for nursing home beds, including distinct part long-term care units located in a hospital licensed under chapter [70.41](#) RCW, based on the availability of:

- 1) other nursing home beds in the planning area to be served; and
- 2) other services in the planning area to be served. Other services to be considered include, but are not limited to: assisted living (as defined in chapter [74.39A](#) RCW); boarding home (as defined in chapter [18.20](#) RCW); enhanced adult residential care (as defined in chapter [74.39A](#) RCW); adult residential care (as defined in chapter [74.39A](#) RCW); adult family homes (as defined in chapter [70.128](#) RCW); hospice, home health and home care (as defined in chapter [70.127](#) RCW); personal care services (as defined in chapter [74.09](#) RCW); and home and community services provided under the community options program entry system waiver (as referenced in chapter [74.39A](#) RCW). The availability of other services shall be based on data that demonstrates that the other services are capable of adequately meeting the needs of the population proposed to be served by the applicant.

Services to be provided at MCSC include skilled nursing, rehabilitation, and a variety of therapies. [source: Application, pp4-5] The proposed services are consistent with the types of services provided in the existing nursing homes within the planning area. As a result, the department must consider their availability and determine whether another SNF is needed in the planning area.

Other Nursing Home Beds in the Planning Area to be Served

Before evaluating the availability of other nursing homes, a summary of general information and definitions of commonly used terms is necessary.

Nursing Home

The Department of Social and Health Services (DSHS) is responsible for oversight for nursing homes (licensure and survey), and the definition of “nursing home” below is restated from the DSHS regulations—RCW 18.51.009.

“Nursing home” means any home, place or institution which operates or maintains facilities providing convalescent or chronic care, or both, for a period in excess of twenty-four consecutive hours for three or more patients not related by blood or marriage to the operator, who by reason of illness or infirmity, are unable properly to care for themselves. Convalescent and chronic care may include but not be limited to

any or all procedures commonly employed in waiting on the sick, such as administration of medicines, preparation of special diets, giving of bedside nursing care, application of dressings and bandages, and carrying out of treatment prescribed by a duly licensed practitioner of the healing arts. It may also include care of mentally incompetent persons. It may also include community-based care. Nothing in this definition shall be construed to include general hospitals or other places which provide care and treatment for the acutely ill and maintain and operate facilities for major surgery or obstetrics, or both. Nothing in this definition shall be construed to include any boarding home, guest home, hotel or related institution which is held forth to the public as providing, and which is operated to give only board, room and laundry to persons not in need of medical or nursing treatment or supervision except in the case of temporary acute illness. The mere designation by the operator of any place or institution as a hospital, sanitarium, or any other similar name, which does not provide care for the acutely ill and maintain and operate facilities for major surgery or obstetrics, or both, shall not exclude such place or institution from the provisions of this chapter: PROVIDED, That any nursing home providing psychiatric treatment shall, with respect to patients receiving such treatment, comply with the provisions of RCW [71.12.560](#) and [71.12.570](#).[]

As noted by the definition above, nursing homes provide convalescent and/or chronic care to three or more patients for a period in excess of 24 hours. The patients are unable to properly care for themselves for reason of illness or infirmity.

As of the writing of this evaluation, the Clark/Skamania planning area has 943 SNF beds distributed among seven operating and two closed SNFs located in Clark County.⁵ Eligibility for Medicare and Medicaid skilled nursing services is governed by the Centers for Medicare and Medicaid Services (CMS). Medicare covers skilled nursing services for as long as a patient is eligible and the patient's physician orders the services. Eligibility requirements for coverage by Medicare includes a hospital stay for three consecutive days prior to being admitted into the SNF; further the skilled care must be required on a daily basis and the services must be those that, as a practical matter, can only be provided in an SNF on an inpatient basis. [source: CMS Handbook: [Medicare Coverage of Skilled Nursing Facility Care](#)] All nine SNFs provide services to the Medicare and Medicaid populations. [source: 2005-2006 DSHS cost report data]

Of the planning area's 943 total beds, as of March 2008, 665 are currently licensed. Of the remaining 278 beds, 7 are banked under the alternate use provisions of RCW 70.38.111(8)(a) and WAC 246-310-395. RCW 70.38.111(8)(d) states:

"Nursing home beds that have been voluntarily reduced under this section [RCW 70.38.111(8)] shall be counted as available nursing home beds for the purpose of evaluating need under RCW [70.38.115](#)(2) (a) and (k) so long as the facility retains the ability to convert them back to nursing home use under the terms of this section."

As required above, the department must count the 7 beds banked under alternate use as available beds in the Clark/Skamania planning area.

⁵ There are no nursing homes located in Skamania County.

The remaining 271 beds are banked under the full facility closure provisions of RCW 70.18.115(13)(b) and WAC 246-310-396.⁶ Given that the 271 beds were banked by the licensee who had operated the beds for the 12 months preceding the request for bed banking, these 271 beds must also be counted as available beds in the Clark/Skamania planning area. [source: WAC 246-310-396(4)] In summary, all 943 beds in the Clark/Skamania planning area must be counted as available beds in this evaluation.

The Clark/Skamania planning area's number of licensed and the number of banked beds broken down by facility is summarized in Table 1 below. [source: Certificate of Need Bed Supply Log, March 11, 2008]

Table I
Clark/Skamania Planning Area 2008 Bed Count by Skilled Nursing Facility

Name of Facility	# of Lic'd Beds	# of AU Banked Beds	# of FFC Banked Beds	Total # of Beds
Cascade Park Care Center	88	0	0	88
Discovery Nursing & Rehab of Vancouver	89	0	0	89
Fort Vancouver Convalescent Center	92	0	0	92
Heritage Health and Rehab Center	0	0	53	53
Highland Terrace Nursing Center	83	7	0	90
Pacific Specialty & Rehab Center	132	0	0	132
Rose Vista Nursing Center	0	0	218	218
Vancouver Health & Rehab Center	98	0	0	98
Victory Health & Rehab ⁷	83	0	0	83
Total # of Facilities = 9	665	7	271	943

To further assist in its determination whether patients proposed to be served by MCSC would also be candidates for the existing SNFs in the planning area, the department compared the applicant's proposed average nursing hours per patient day with the existing SNF's averages. That comparison is summarized in Table 2 below. [source: Application, p30 and Medicaid Cost Report data for years 2005 and 2006]

Table 2
Average Nursing Hours Per Patient Day Comparison

	RN/PD	LPN/PD	NA/PD	Total NH/PD
Manor Care of Salmon Creek	0.481	0.616	2.005	3.102
Year 2005 Clark/Skamania Averages	0.528	0.569	2.280	3.377
Year 2006 Clark/Skamania Averages	0.578	0.527	2.207	3.313

Based on the summary shown in Table 2 above, the applicant's patients are comparable to the average patient accepted by the existing SNFs in the county. Further, when comparing MCSC's proposed RN, LPN, and NA hours per patient day to each individual facility in the planning area, MCSC closely compares with all facilities in the planning area with the exception of Fort

⁶ On July 29, 2003, the department approved Beverly Enterprises' request to bank 218 beds under full facility closure for Rose Vista Nursing Home in Vancouver. On November 20, 2007, the department approved Kindred Healthcare's request to bank 53 beds under full facility closure for Heritage Health and Rehab in Vancouver.

⁷ Formerly Parkway North Care Center.

Vancouver Convalescent Center, which appears to have had higher acuity patients in years 2005 and 2006. [source: Application, p30 and 2005 and 2006 Medicaid Cost Report data]

In summary, the department concludes that the patients proposed to be served by MCSC would also be appropriate to be served by the existing SNFs in the planning area.

The applicant provided data to assist in its demonstration of need for an additional nursing home in Clark County, broken down by *Statistical Evidence* and *Practical and Anecdotal Evidence*. A summary of the data is shown below. [source: Application, pp9-14]

Statistical Evidence

- Population data
- Numeric bed need methodology
- Occupancy of the existing nursing homes
- Discharge data from Legacy Salmon Creek Hospital

Practical and Anecdotal Evidence

- Heritage Health and Rehabilitation is closing
- Some nursing home have waiting lists at various times of the year
- As life expectancy increases, it is logical to expect greater increases in the prevalence of diseases that require nursing home care
- Hospital discharges must sometimes leave the planning area for nursing home care

This portion of the evaluation will focus on the data and/or assertions provided by the applicant and the department's evaluation of the data and assertions.

- Population data

Applicant

The applicant compared Office of Financial Management (OFM) projected population growth for year 2007 and 2010 with projected population growth for years 2006 and 2011 using data obtained from Claritas, Inc.⁸ Focusing on years 2010 and 2011 only, Claritas data projected 80,932 aged 65 and older residents in the Clark/Skamania planning area for year 2011. OFM projected 48,110 aged 65 and older residents in the Clark/Skamania planning area for year 2010. [source: OFM population data, released January 2002] Based on that comparison, MCSC concluded that population projections based on OFM data are conservative.

Department

WAC 246-310 directs the department to use demographic data from OFM for nursing home applications. [source: WAC 246-310-010: Resident population] Further, the program consistently uses the "medium" or "intermediate series" projected population. Table 3 is a comparison of the applicant's and the department's population data for residents aged 65

⁸ Claritas [pronounced 'CLAIR-uh-toss'], Inc. is a marketing information resources company dedicated to helping companies engaged in consumer and business-to-business marketing. Claritas, Inc. provides clients' with the data, tools, applications, and expertise needed to examine, target and execute profitable marketing opportunities. [source: Claritas Inc. website]

and older in the planning area for years 2010 and 2011 using the OFM medium series data, released November 2007. [source: OFM population data, released November 2007]

Table 3
Population Comparison by Data Source

Source	2010	2011
OFM-November 2007	47,721	50,625
Claritas, Inc	n/a	80,932

As shown in Table 3 above, the Claritas data projects at least 30,000 more residents aged 65 and older for year 2011 than OFM data. It is unclear whether Claritas data is provided based on a “medium” series. It is true that medium series OFM data is significantly more conservative than Claritas data. As previously stated, Program rules direct the use of OFM data. Most recent OFM data was released November 2007.

- Numeric bed need methodology

Applicant

Based on the numeric methodology, MCSC concluded that the Clark/Skamania planning area’s bed-to-population ratio is 17/1,000, significantly below the established ratio of 40/1,000.

Department

When the numeric methodology is calculated using OFM population data released November 2007 and the count of nursing home beds in the planning area as of March 11, 2008, the department’s methodology shows the Clark/Skamania planning area at 20/1,000. Regardless of whether the ratio is 17/1,000 or 20/1,000, it is still significantly below the 40/1,000 established ratio.

- Occupancy of the existing nursing homes

Applicant

MCSC provided data to demonstrate that the existing facilities in the planning area are either fully occupied or operating at a high utilization. The data showed the occupancy of the eight SNFs operating in the planning area in year 2006.

Department

As previously stated, there are 943 skilled nursing facility (SNF) beds distributed among seven operating and two closed SNFs located in Clark County. In year 2006, eight of those SNFs were operating, resulting in 710 licensed beds. For DSHS cost reporting purposes, facility occupancy is reported on the number of licensed beds within a facility. Tables 4A and 4B on the following page summarize the occupancy of licensed SNF beds in operation in years 2005 and 2006 at the eight SNFs in Clark County. [source: Year 2005 and 2006 DSHS cost report data]

Table 4A
Clark County Number of Beds and Average Occupancy
2005

	# of Lic'd Beds	Bed Occp'y %	# of Lic'd Beds Available	Plus AU Banked Beds (unlicensed)
Cascade Park Care Center	88	98%	2	0
Discovery Nursing & Rehab of Vancouver	89	91%	8	0
Fort Vancouver Convalescent Center	92	93%	6	0
Heritage Health and Rehab Center	53	85%	8	0
Highland Terrace Nursing Center	83	89%	9	7
Pacific Specialty & Rehab Center	132	78%	29	0
Parkway North Care Center*	75	88%	9	8
Vancouver Health & Rehab Center	98	89%	11	
Totals/Average Occupancy	710	89%	82	15

*=now Victory Health and Rehab

Table 4B
Clark County Number of Beds and Average Occupancy
2006

	# of Lic'd Beds	Bed Occp'y %	# of Lic'd Beds Available	Plus AU Banked Beds (unlicensed)
Cascade Park Care Center	88	97%	3	0
Discovery Nursing & Rehab of Vancouver	89	91%	8	0
Fort Vancouver Convalescent Center	92	93%	6	0
Heritage Health and Rehab Center	53	82%	10	0
Highland Terrace Nursing Center	83	84%	13	7
Pacific Specialty & Rehab Center	132	76%	32	0
Parkway North Care Center*	75	90%	8	8
Vancouver Health & Rehab Center	98	86%	14	
Totals/Average Occupancy	710	87%	94	15

*=now Victory Health and Rehab

For year 2005 and 2006, there were 15 beds banked under alternate use at two separate facilities—7 at Highland Terrace Nursing Center and 8 at Parkway North Care Center. While the department considers the banked beds available, the occupancy percentages above are based only on the 710 licensed beds in year 2005 and 2006. In 2005 (Table 4A), the Clark County average occupancy was 89%; cost report data reveals the statewide average occupancy was 86.1%. In 2006, (Table 4B), the Clark County average occupancy was 87%, while the statewide average occupancy was 86.4%.

For both years 2005 and 2006, all facilities in Clark County—with the exception of one Pacific Specialty and Rehab Center—operated above 80% occupancy. Additionally, 3 of the 8 operated above 90% occupancy in both years.

Pacific Specialty and Rehab Center (Pacific Specialty) provided comments in opposition to this project related to need for the additional beds. The comments focus on the number of banked beds—both alternate use and full facility closure—and patient discharges to areas outside of Clark County. Regarding banked beds, Pacific Specialty counts 310 beds banked in the planning area, which includes the recent closure of Heritage Health and Rehab Center. The department counts 278 beds banked in the planning area, also including 53 beds at Heritage Health and Rehab Center. Pacific Specialty states that when Heritage Health and Rehab Center closed, all patients were absorbed into the existing long-term care system with no difficulty to the remaining providers. Pacific Specialty acknowledges receiving three of the residents, “*despite having room for more.*” [source: Pacific Specialty and Rehab Center public hearing documents, pp2-3]

Focusing on out-of-area discharges, Pacific Specialty states that discharging patients to areas outside Clark County, in isolation, means nothing because the planning area is geographically unique, unlike any other in the state. Pacific Specialty states that no other planning area is located close to, but outside of, a large population center with numerous resources and services—such as Portland, Oregon. Pacific Specialty implies that the patients being discharged to areas outside of Clark County into Oregon are probably residents of Oregon. Pacific Specialty further states that the only referrals it is unable to take are “*extremely problematic*” discharges, such as bariatric patients, difficult behavior issues, and patient’s with drug seeking behavior. Pacific Specialty states it is unaware of any time in 2007 when it denied admission to any hospital referral because it was full. Pacific Specialty concludes with assertions that Manor Care does not intend to care for these difficult populations. [source: Pacific Specialty and Rehab Center public hearing documents, p5]

To assist in its review of the issues raised by Pacific Specialty, the department first reviewed the geography of the Clark/Skamania County planning area. While Clark County may be the only county in Washington where a large population center with numerous resources and services is located directly across the border, it is not unique. There are multiple cities/towns in Washington where patients from neighboring state may cross borders to receive healthcare services. The out-migration issue was taken into account with one project in Clark County—the establishment of Legacy Salmon Creek Hospital. During the review of the hospital application, there was only one provider of services in Clark County. [source: Department’s March 15, 2001 evaluation approving the establishment of Legacy Salmon Creek Hospital] For other healthcare projects in Clark County, the department has not assumed any percentage of patients obtaining services in Oregon would be recaptured. Since there are currently seven SNFs operating in the county, the department would not assume any percentage of out-migration would be recaptured.

Additionally, the population data used in the numeric methodology is Clark and Skamania counties only. If Oregon residents are obtaining services in Clark County, those residents would not be included in the population data used as a basis for the nursing home bed need projections. As a result, neither in- or out-migration are factors when considering this application to establish an eighth nursing home in the Clark/Skamania planning area.

As shown in Tables 4A and 4B, Pacific Specialty experienced lower-than-county-average utilization for years 2005 and 2006. The department contacted DSHS regarding Pacific Specialty's utilization. DSHS is the licensing and quality of care surveying entity for skilled nursing facilities in Washington State. Below is some background information regarding remedies for quality of care deficiencies, followed by a summary of the remedies for deficiencies at Pacific Specialty.

Background info

Nursing homes are inspected by a team of 3-4 professional staff from Residential Care Services on at least an annual basis. The team typically spends 3-5 days on-site at a nursing home and spends time observing care and services provided to a sample of residents. The team participates in interviews with residents, families, facility staff, and ombudsmen assigned to the facility. As part of each full survey, the team examines data collected, and as a team, determines the 'scope' and 'severity' of their findings in relationship to resident outcome.⁹ Depending on the scope and severity of findings, a range of sanctions may be imposed; however, the severity of the sanctions imposed is directly related to the harm or outcome experienced by facility residents. When the seriousness of identified deficiencies directly impact or lead to harm in resident functions, remedies authorized by WAC 388-98-003 may be imposed. Remedies may include any of the following:

- Assessment of civil fines;
- Denial of payment for new Medicaid admissions;
- Stop placement; and
- Suspension or revocation of the facility's license.

For this evaluation, only two of the four remedies will be discussed—denial of payment for new Medicaid admissions and stop placement. Denial of payment is denial of any Medicare reimbursement for new admissions during the duration of the remedy. The stop placement remedy prohibits admission, re-admission, or transfer of any patient under any payor source during the duration of the remedy.

Except in rare and unusual cases, facilities, even those with stop placements in effect, are given a period of time to correct deficiencies. Each facility submits a plan of correction for the identified deficiencies. The plan of correction must contain information about how corrective action will be accomplished for those residents found to have been affected by the deficient practice, how the facility will identify other residents having the potential to be affected by the same deficient practice, what measures will be put into place or systemic changes made to be affected by the same deficient practice; and how the facility will monitor its corrective actions to ensure that the deficient practice is being corrected and will not recur (i.e. what program will be put into place to monitor the continued effectiveness of the systemic change). When a facility has determined that they have corrected the cited deficiencies, they notify DSHS on or before the date established by DSHS. A team is sent to the facility to re-survey

⁹ Scope means the frequency, incidence, or extent of the occurrence of a deficiency. Severity means the seriousness of a deficiency as determined by the actual or potential negative outcomes for residents or resident rights or violations; or the extent to which the resident's highest practicable physical, mental, or psychosocial well being is compromised or threatened.

the issues that led to the denial of payment or stop placement. The re-survey data gathering plays heavily into the team recommendation to lift or continue the remedy. [source: February 26, 1998, letter from DSHS addressed to K. Nidermayer]

Cost report data for year 2005 and 2006 shows that Pacific Specialty is the largest nursing in the planning area with 132 beds, however, the facility also has the lowest utilization in the planning area at 78% and 76%, respectively. In its public comments, Pacific Specialty states additional nursing home beds are not needed in the community, a direct contrast to statements provided by DSHS.

To understand the low occupancy of the largest facility in the planning area, the department obtained January 2005 through December 2007 quality of care surveys from DSHS for Pacific Specialty. The surveys reveal that DSHS has issued stop placement and denial of payment remedies for Pacific Specialty several times in the last three years related to substantial non-compliance issues and/or complaint investigations. In 2005, Pacific Specialty was under stop placement from October 6 through November 30. The stop placement remedy was the result of quality of care and quality of life issues found during DSHS's routine survey of the facility. In 2006, DSHS surveyed Pacific Specialty twice finding a number of quality of care and quality of life issues. Stop placement or denial of payment remedies were not imposed on Pacific Specialty during 2006. In 2007, DSHS surveyed and re-surveyed Pacific Specialty four times, and on November 25, 2007, DSHS again issued a stop placement remedy for Pacific Specialty. On December 25, 2007, DSHS also issued a denial of payment remedy for Pacific Specialty. From January to March of 2008, Pacific Specialty has been re-surveyed three times. As of the writing of this evaluation (March 2008), Pacific Specialty's denial of payment remedy was lifted, however, the stop placement remedy remains in effect. Data provided by DSHS indicates that Pacific Specialty continues to be out of compliance. In summary, Pacific Specialty's statements that it is available to the residents of the service area is an over-statement. While Pacific Specialty has the lowest occupancy of the planning area resulting in a number of available beds, the remedies imposed by DSHS resulting from quality of care and quality of life issues at the facility made it unavailable for new admissions several times in years 2005 through 2007, and at least the first three months of year 2008.

In July 2007, Parkway North Care Center (now known as Victory Health and Rehab) unbanked all 8 of its alternate use banked beds, resulting in 83 licensed and operating beds at the facility. Parkway North Care Center did not provide information in support or opposition to this project.

Additionally, in October 2007, Heritage Health and Rehab Center ceased operations and banked all 53 of its beds under full facility closure. Heritage Health and Rehab Center did not provide information in support or opposition to this project.

The remaining five facilities not previously discussed in this evaluation are: Cascade Park Care Center, Discovery Nursing and Rehab of Vancouver, Fort Vancouver Convalescent Center, Highland Terrace Nursing Home, and Vancouver Health and Rehab. None of the five facilities provided information in support or opposition to this project.

Tables 4A and 4B show that the average occupancy for the planning area remained consistent for years 2005 and 2006. However, any impact of Parkway North Care Center’s 8-bed conversion or Heritage Health and Rehab Center’s full facility closures will not be available until the 2007 Cost Report Data is released in approximately July 2008.

In conclusion, in 2007, the planning area experienced a decrease of licensed beds from 710 to 665; and with the addition of seven alternate use banked beds unbanked at Highland Terrace Nursing Home for year 2008, the number of licensed beds could increase to 672. While the 271 full facility closure beds are counted in bed supply as available, they could not be brought back on line without prior Certificate of Need review and approval, which would take at least six-months. In that sense, the 271 beds are unavailable to residents of the planning area.

- Discharge data from Legacy Salmon Creek Hospital

Applicant

MCSC provided a summary of discharge data for five months—February through June 2007—for Legacy Salmon Creek Hospital. The discharge data showed a number of patients purported to experience delays in discharge. The chart below shows a summary of the data. [source: Application pp10-11)

Applicant’s Summary of Hospital Discharge Delays for February 2007 through June 2007

Reason for Delay	Feb	March	April	May	June	Total
Level of Care too Intensive	19	0	0	7	0	26
No Bed Available	7	13	0	1	0	21
Too Late in Day /Admission not Available	0	1	0	0	7	8
Weekend Admission not Available	2	0	2	0	0	4
Totals	28	14	2	8	7	59

Based on the chart above, the applicant concluded that the planning area needs additional nursing homes that will:

- accept admission of hospital discharged patients who have more intensive care needs;
- accept admissions late in the day or during the weekend; and
- have beds available.

Department

A review of the applicant’s data shown in the chart above reveals that the August 2005 opening of Legacy Salmon Creek Hospital may have influenced the need for nursing home bed capacity to accommodate patients requiring more intensive care and more flexibility than is currently available in Clark and Skamania counties.

- Heritage Health and Rehabilitation is closing

Applicant

MCSC states that Heritage Health and Rehabilitation will be closing by the end of year 2007, and this action would further reduce the availability of nursing home beds in the planning area by 53. MCSC states that closure of an additional 53 beds would make

placement of medically needy patients to a nursing home bed even more difficult in the future.

Department

When MCSC submitted this application in August 2007, community speculation indicated that Heritage Health and Rehabilitation would close in 60 days. On October 31, 2007, the facility did close and banked all 53 beds under the full facility closure provisions of RCW 70.38.115(13)(b). The full facility closure bed banking allows all 53 beds to remain unlicensed for eight years (expiration is October 31, 2015). A Certificate of Need is required to bring full facility closure beds back on line.

Cost report data for years 2005 and 2006 show that Heritage Health and Rehabilitation was operating at 85% and 86%, respectively, which means that approximately 43 patients would have to be relocated when the facility closed in year 2007. Because of the timing of the closure of Heritage Health and Rehabilitation, the department does not have accurate data to measure the impact. However, with the assumption that the 43 residents were able to be relocated within the planning area, the current SNFs would have an even higher occupancy than reported in 2006. It would be reasonable to expect even more difficulty placing the existing and future patients in the planning area.

- Some nursing home have waiting lists at various times of the year

Applicant

MCSC conducted a survey in year 2004 of the eight facilities in the planning area, and two reported having a waiting list—Cascade Park Care Center and Vancouver Health and Rehab Center. Cascade indicated that admissions to its short-term Medicare rehab unit are possible, the long-term care unit accepts only those persons on the waiting list. MCSC asserts that some facilities in the planning area continue to have waiting lists particularly during the winter months.

Department

Information to verify this assertion is difficult to obtain. A survey in 2004—three years before submission of this application—becomes outdated by the time the department is evaluating this project. Neither Cascade Park Care Center nor Vancouver Health and Rehab Center provided comments regarding this project.

Cost report data for years 2005 and 2006 show that Cascade Park Care Center operated at 98% and 97%, respectively, resulting in two or three available beds at the facility. Vancouver Health and Rehab Center operated at 89% and 86% during those same years, resulting in 11 to 14 available beds at the facility.

DSHS submitted comments regarding availability of nursing home beds in the planning area. DSHS provided the following statements:

“Residents in need of long-term care services in Clark County do have many community based long-term care options, but we have heard that several clients may have experienced difficulties finding [a] nursing facility to meet their rehabilitative or short-term, post-acute services. Although ADSA [Aging and Disability Services Administration] prefers activation of any banked beds prior to

issuance of any new Certificate of Need for nursing facility beds, we do not oppose this application.”

[source: DSHS January 22, 2008, public comment]

Based on the above information, it appears that placement of patients requiring nursing home care may be difficult in the Clark/Skamania planning area.

- As life expectancy increases, it is logical to expect greater increases in the prevalence of diseases that require nursing home care

Applicant

MCSC cites a year 2002 article entitled New Estimates of Lifetime Nursing Home Use that projects increased nursing home use based on several factors:

- longer life expectancy;
- sicker, more disabled, nursing home population;
- increased population of persons aged 65 and older; and
- patient’s risk of requiring care within a nursing home increases with age—44% for 65 and older compared with 72% for 95 year olds.

MCSC concludes that these factors will double the number of 65 and older persons using a nursing home by year 2020. When applying these factors to the planning area, MCSC concludes that need for additional beds is necessary to accommodate both current and future residents.

Department

MCSC cites a six-year-old article to support its claim that the older population in Clark County is increasing. OFM population data for years 2000 through 2007 for Clark County support the applicant’s claim that the population as a whole is growing.

In a March 2007 document, OFM states that Clark County is the fastest growing community in the Pacific Northwest. OFM further clarifies that population growth is comprised of two major components—the natural increase and net migration. The natural increase in population—more births than deaths—is the more stable component of population growth. [source: OFM population data] This data supports the applicant’s claim of population growth in Clark County. OFM population projections provide estimates broken down by age group. For years 2005 through 2015, Clark County’s population of 65 and older is expected to increase at a faster rate than the statewide growth rate. In summary, the department can substantiate MCSC’s assertions of population growth in the county, and in the 65 and older age group.

- Hospital discharges must sometimes leave the planning area for nursing home care

Applicant

MCSC states that Legacy Salmon Creek Hospital reports that it must sometimes discharge its medically ready patients either out of state (an Oregon facility) or out of planning area (a facility in Longview within Cowlitz County) because beds are not available in the planning area.

Department

Other than the summary of discharge data for five months—February through June 2007—for Legacy Salmon Creek Hospital addressed above, MCSC did not provide any other data to support this claim. The department acknowledges that the opening of a new hospital in Clark County would likely result in additional patients requiring rehabilitative or short-term, post-acute services. However, Legacy Salmon Creek Hospital did not provide comments, either in support or in opposition, to this project. Based on the data provided, the department could conclude additional nursing home beds may be necessary to accommodate patients that would be discharged from the new Legacy Salmon Creek Hospital. However, the data does not substantiate that Legacy Salmon Creek Hospital has been discharging patients out of the state or planning area as asserted by the applicant.

Other Services in the Planning Area to be Served

Throughout its application, MCSC asserts that the alternative community-based providers are not providing the same type of care that would be provided at MCSC. However, under WAC 246-310-210(6), the department must consider their availability and determine whether patients could be better served in those settings. WAC 246-310-210(6) provides a listing of the alternative services to be considered. The listing includes assisted living facilities, boarding homes, enhanced adult residential care facilities, adult residential care facilities, adult family homes, hospice agencies, home health agencies, home care agencies, and personal care services.

Before evaluating the availability of other services, a summary of general information and definitions of commonly used terms is necessary.

A. DEFINITIONS

Personal Care Services [WAC 388-76-540 Adult Family Home]

A brief description of “personal care services” is included within the definition of “functionally disabled person” within DSHS RCW 74.39A.090 which states, functionally disabled person is synonymous with chronic functionally disabled and means a person who because of a recognized chronic physical or mental condition or disease, including chemical dependency, is impaired to the extent of being dependent upon others for direct care, support, supervision, or monitoring to perform activities of daily living. "Activities of daily living", in this context, means self-care abilities related to personal care such as bathing, eating, using the toilet, dressing, and transfer. Instrumental activities of daily living may also be used to assess a person's functional abilities as they are related to the mental capacity to perform activities in the home and the community such as cooking, shopping, house cleaning, doing laundry, working, and managing personal finances. Within the Adult Family Home rules, “personal care services” means both physical assistance and/or prompting and supervising the performance of direct personal care tasks as determined by the resident's needs. Personal care services do not include assistance with tasks performed by a licensed health professional. [emphasis added]

Special Care [DSHS WAC 388-76-540 Adult Family Home]

Special care means care beyond personal care services as defined by "personal care services" in this section [above]. [emphasis added]

Intermittent

Suspending activity at intervals; coming and going. [source: Taber's Cyclopedic Medical Dictionary]

Below is a definition of each alternative to be considered when evaluating this project and additional definitions related to specific phrases in those definitions.

Boarding Home [DSHS RCW 74.39A.009 & RCW 18.20.030]

1. Boarding home means a facility licensed under chapter [18.20](#) RCW [RCW 74.39A.009]
2. Boarding home means any home or other institution, however named, which is advertised, announced, or maintained for the express or implied purpose of providing housing, basic services, and assuming general responsibility for the safety and well-being of the residents, and may also provide domiciliary care, consistent with chapter 142, Laws of 2004, to seven or more residents after July 1, 2000. However, a boarding home that is licensed for three to six residents prior to or on July 1, 2000, may maintain its boarding home license as long as it is continually licensed as a boarding home. "Boarding home" shall not include facilities certified as group training homes pursuant to RCW [71A.22.040](#), nor any home, institution or section thereof which is otherwise licensed and regulated under the provisions of state law providing specifically for the licensing and regulation of such home, institution or section thereof. Nor shall it include any independent senior housing, independent living units in continuing care retirement communities, or other similar living situations including those subsidized by the department of housing and urban development. [RCW 18.20.030]

No person operating a boarding home licensed under this chapter shall admit to or retain in the boarding home any aged person requiring nursing or medical care of a type provided by institutions licensed under chapters [18.51](#) [nursing home], [70.41](#) [hospital] or [71.12](#) [psychiatric or chemical dependency hospital] RCW, except that when registered nurses are available, and upon a doctor's order that a supervised medication service is needed, it may be provided. Supervised medication services, as defined by the department [DSHS] and consistent with chapters [69.41](#) and [18.79](#) RCW, may include an approved program of self-medication or self-directed medication. Such medication service shall be provided only to residents who otherwise meet all requirements for residency in a boarding home. No boarding home shall admit or retain a person who requires the frequent presence and frequent evaluation of a registered nurse, excluding persons who are receiving hospice care or persons who have a short-term illness that is expected to be resolved within fourteen days. [RCW 18.20.160] [emphasis added]

Boarding Home-Adult Residential Care [DSHS RCW 74.39A.009]

Adult residential care means services provided by a boarding home that is licensed under chapter [18.20](#) RCW and that has a contract with the department [DSHS] under RCW [74.39A.020](#) to provide personal care services. [emphasis added]

Boarding Home-Enhanced Adult Residential Care [DSHS RCW 74.39A.009]

Enhanced adult residential care means services provided by a boarding home that is licensed under chapter [18.20](#) [boarding home] RCW and that has a contract with the department [DSHS] under RCW [74.39A.010](#) to provide personal care services, intermittent nursing services, and medication administration services. [emphasis added]

Boarding Home-Assisted Living Services [DSHS RCW 74.39A.009]

Assisted living services means services provided by a boarding home that has a contract with the department [DSHS] under RCW 74.39A.010 to provide personal care services, intermittent nursing services, and medication administration services, and the resident is housed in a private apartment-like unit. [emphasis added]

Adult Family Home [DSHS RCW 74.39A.009 & RCW 70.128.030]

1. Adult family home" means a home licensed under chapter [70.128](#) RCW [RCW 74.39A.009]
2. Adult family home means a residential home in which a person or persons provide personal care, special care, room, and board to more than one but not more than six adults who are not related by blood or marriage to the person or persons providing the services. "Special care" means care beyond personal care as defined by the department [DSHS], in rule. [RCW 70.128.010]

Home Care [DOH RCW 70.127.010]

1. Home care agency means a person administering or providing home care services directly or through a contract arrangement to individuals in places of temporary or permanent residence. A home care agency that provides delegated tasks of nursing under RCW [18.79.260\(3\)\(e\)](#) is not considered a home health agency for the purposes of this chapter.
2. Home care services means nonmedical services and assistance provided to ill, disabled, or vulnerable individuals that enable them to remain in their residences. Home care services include, but are not limited to: Personal care such as assistance with dressing, feeding, and personal hygiene to facilitate self-care; homemaker assistance with household tasks, such as housekeeping, shopping, meal planning and preparation, and transportation; respite care assistance and support provided to the family; or other nonmedical services or delegated tasks of nursing under RCW 18.79.260(3)(e). [emphasis added]

Home Health [DOH RCW 70.127.010]

1. Home health agency means a person administering or providing two or more home health services directly or through a contract arrangement to individuals in places of temporary or permanent residence. A person administering or providing nursing services only may elect to be designated a home health agency for purposes of licensure.
2. Home health services means services provided to ill, disabled, or vulnerable individuals. These services include but are not limited to nursing services, home health aide services, physical therapy services, occupational therapy services, speech therapy services, respiratory therapy services, nutritional services, medical social services, and home medical supplies or equipment services.

Hospice [DOH RCW 70.127.010]

1. Hospice agency means a person administering or providing hospice services directly or through a contract arrangement to individuals in places of temporary or permanent residence under the direction of an interdisciplinary team composed of at least a nurse, social worker, physician, spiritual counselor, and a volunteer.
2. Hospice care center" means a homelike, non-institutional facility where hospice services are provided, and that meets the requirements for operation under RCW [70.127.280](#).
3. Hospice services means symptom and pain management provided to a terminally ill individual, and emotional, spiritual, and bereavement support for the individual and family in

a place of temporary or permanent residence, and may include the provision of home health and home care services for the terminally ill individual.

Community Options Program Entry System (COPES) Waiver [Federal Social Security Act, Section 1915c]

“The Secretary¹⁰ may by waiver provide that a State plan approved under this title may include as “medical assistance” under such plan payment for part or all of the cost of home or community-based services (other than room and board) approved by the Secretary which are provided pursuant to a written plan of care to individuals with respect to whom there has been a determination that but for the provision of such services the individuals would require the level of care provided in a hospital or a nursing facility or intermediate care facility for the mentally retarded the cost of which could be reimbursed under the State plan. For purposes of this subsection, the term “room and board” shall not include an amount established under a method determined by the State to reflect the portion of costs of rent and food attributable to an unrelated personal caregiver who is residing in the same household with an individual who, but for the assistance of such caregiver, would require admission to a hospital, nursing facility, or intermediate care facility for the mentally retarded.

- (2) A waiver shall not be granted under this subsection unless the State provides assurances satisfactory to the Secretary that—
- (A) necessary safeguards (including adequate standards for provider participation) have been taken to protect the health and welfare of individuals provided services under the waiver and to assure financial accountability for funds expended with respect to such services;
 - (B) the State will provide, with respect to individuals who—
 - (i) are entitled to medical assistance for inpatient hospital services, nursing facility services, or services in an intermediate care facility for the mentally retarded under the State plan,
 - (ii) may require such services, and
 - (iii) may be eligible for such home or community-based care under such waiver, for an evaluation of the need for inpatient hospital services, nursing facility services, or services in an intermediate care facility for the mentally retarded;
 - (C) such individuals who are determined to be likely to require the level of care provided in a hospital, nursing facility, or intermediate care facility for the mentally retarded are informed of the feasible alternatives, if available under the waiver, at the choice of such individuals, to the provision of inpatient hospital services, nursing facility services, or services in an intermediate care facility for the mentally retarded;
 - (D) under such waiver the average per capita expenditure estimated by the State in any fiscal year for medical assistance provided with respect to such individuals does not exceed 100 percent of the average per capita expenditure that the State reasonably estimates would have been made in that fiscal year for expenditures under the State plan for such individuals if the waiver had not been granted; and
 - (E) the State will provide to the Secretary annually, consistent with a data collection plan designed by the Secretary, information on the impact of the waiver granted under this subsection on the type and amount of medical assistance provided under the State plan and on the health and welfare of recipients.”

¹⁰ For purposes of this definition, the term “Secretary”, means the Secretary of Health and Human Services.

To assist in its evaluation of alternative community-based providers, the department enlisted the services of The Gilmore Research Group (GRG) located in the Pacific Northwest.¹¹ GRG provides research consultation, probability sampling, and data for analysis. For this project, GRG conducted telephone interviews with managers or people in positions of authority at adult family homes and boarding homes in Clark County. The purpose of the interviews was to learn more about the capacity and limitations of these facilities as alternatives to nursing home services. [source: The Gilmore Research Group website and January 31, 2008, report]

As of January 2008, when GRG began its telephone interview, there were 234 licensed adult family homes (AFHs) in Clark County and zero in Skamania County. Additionally, there were 25 boarding homes (BHs) in Clark County and one in Skamania County. [source: DSHS website] GRG conducted telephone interviews with managers or people in positions of authority at 207 of the 234 the AFHs (88%) and 25 of the 26 BHs (96%). [source: January 2008 GRG report]

At the completion of its telephone survey, GRG provided raw data to the Program for review. Program staff extrapolated specific information from the raw data to determine the occupancy, capacity, and limitations of AFHs and BHs in Clark County as alternatives to the SNF services proposed by the applicant.

To evaluate the planning community based services, one must consider the type facility and services, and limitation of services, provided in each facility based on definitions previously provided.

Boarding Homes

Boarding homes cannot admit or retain a person requiring frequent presence and evaluation of a registered nurse. The two exceptions to this limitation are 1) if the patient is receiving hospice care at the boarding home; or 2) if the patient has a short-term illness that is expected to be resolved within 14 days. [RCW 18.20.160] For the Clark/Skamania planning area, there are 26 boarding homes in operation at the time of the initial review of the MCSC application—25 in Clark County and one in Skamania County. GRG contacted and interviewed all 25 homes in Clark County. Based on data provided by GRG, the 25 boarding homes represent 1,687 boarding home beds. [source: January 2008 GRG report]

Boarding homes with adult residential care services are boarding homes that contract with DSHS to provide personal care services, such as bathing, eating, using the toilet, dressing, and transfer. Of the 25 boarding homes contacted by GRG, all provide personal care services as defined in the adult residential care services definition.

Boarding homes with enhanced adult residential care services are boarding homes that contract with DSHS to provide intermittent nursing services and medication admission services, in addition to personal care services.

¹¹ DSHS collects and maintains utilization and occupancy data for all Washington State nursing homes and SNFs that contract with DSHS to provide Medicaid services. The data is collected by DSHS through cost reports submitted by each facility and is available annually from DSHS. For the community-based services, no similar facility reporting process is in place.

Boarding homes with assisted living services are boarding homes that provide the same services as enhanced adult residential care boarding homes; however, the services are provided in a boarding home environment that is a private, apartment-like unit.

Of the 25 BHs contacted by GRG, 6 indicated that they do not contract with DSHS for Medicare or Medicaid services. As a result, these facilities would be providing only personal care services or adult residential care services. The remaining 19 facilities indicate that they contract with DSHS for either Medicare services, Medicaid services, or both services. The proposed MCSC SNF will be required to accept all payor sources, including Medicare and Medicaid. The 19 BH in Clark County that contract for Medicare or Medicaid services would be considered comparable regarding Medicare and Medicaid as payor sources. Of the 19 BHs, one does not accept patients requiring skilled nursing services. Given that the proposed SNF will be providing SNF/NF services, the remaining 18 BHs would be considered a comparable alternative to the proposed facility when considering payor sources and services provided. These 18 BHs considered a comparable alternative to the proposed SNF represent 1,100 beds, or 65% of the total 1,687 BH beds. Table 5 below is a summary of the occupancy of the 18 boarding homes and their 1,100 beds at the time of the survey. [source: January 2008 GRG report]

**Table 5
Clark County Boarding Home Data Summary**

Name	# of Beds	% Occpy	# of Vacant Beds	Typical Vacancy Yes/No
Arbor Ridge Assisted Living	60	95%	3	No
Bridgewood at Four Seasons	74	86%	10	Don't Know
Carolees at Ridgefield	37	100%	0	Yes
Cascade Retirement Inn	110	83%	19	Yes
Clearwater Springs ALC	95	95%	5	No
Columbia Ridge Assisted Living	65	95%	3	Yes
The Evergreen Inn	85	96%	3	No
Fishers Landing ALC	91	90%	9	No
Lexington House	50	76%	12	No
Mallard Landing ALC	85	96%	3	Yes
Mountainview House	26	62%	10	No
Park Lido ALC	45	89%	5	No
Prestige AL at Hazel Dell	71	94%	4	No
Ridgefield Living Center	38	82%	7	No
Rose Ranch Retirement Inn	16	69%	5	Yes
Stonebridge Specialty Care Comm.	80	98%	2	Yes
The Hampton Alzheimer's Comm.	12	58%	5	No
Van Vista ALC	60	98%	1	No
Totals/Averages	1,100	90%	106	

As shown in Table 5 above, occupancy of the 18 BHs ranges from 58% to 100%. The average occupancy of the BHs was 90%, and the majority of the BHs had less than 10 beds available. When questioned whether the number of vacant beds was typical, representatives of 11 of the 18 BHs stated “No”, and then clarified that number of vacant beds was typically zero. Table 5 shows that 10 of the 18 BHs were operating at 90% or greater.

Table 5 supports DSHS’s statements that boarding homes are providing a viable option for some number of people requiring nursing facility care. However, the data above also supports MCSC’s assertions that occupancy of boarding homes in Clark County is high.

Of these 18 BH, only one stated that it had no limitations related to patient admissions. The remaining 17 BHs listed one or more limitation regarding acceptance of patients. Rather than providing a listing of all limitations, Table 6 below is a summary of the most frequent limitations, and the number of facilities that listed the limitation. [source: January 2008 GRG report]

**Table 6
Clark County Boarding Home Data Summary**

Most Common Type of Limitation	# of BH with Limitations
No obese or full body lifts	2
No developmentally disabled pts	2
No mental health pts	2
No wandering pts	4
No Alzheimer’s or dementia pts	2
No IVs; insulin dependent; diabetics	4
No violent or combative pts	4
No pts requiring a lot of medical attention	1

As noted above, BHs may elect not to serve patients with dementia, mental health issues, developmental disabilities, or patients with specific behavioral issues, such as wandering or violence. While the BH’s option to limit types of patients is common and acceptable, limitations could severely reduce the availability of services in a particular BH.

Regarding boarding homes, boarding homes with adult residential care services, boarding homes with enhanced adult residential care services, and boarding homes with assisted living services, in Clark County, the department concludes:

- these alternative services typically experience high occupancies;
- these alternatives provide many of the same services as an SNF;
- these alternatives have many limitations related to resident eligibility;
- without these types of alternative services, the need for nursing home beds in the Clark/Skamania planning area would be much greater.

Adult Family Homes

Adult Family homes are personal homes that provide personal care, special care, and room & board to more than one, but no more than six adults who are not related by blood or marriage to the person providing the service.¹² [RCW 70.128.030] As of writing of this evaluation, there were 234 adult family homes operating in Clark County; Skamania County has no adult family homes. Of the 234 homes, 207 were contacted by GRG, representing 88% of the homes. The 207 adult family homes represent 1,160 adult family home beds. [source: January 2008 GRG report]

¹² The maximum number of beds at an adult family home is six.

As previously stated, the proposed MCSC SNF will be required to accept all payor sources, including Medicare and Medicaid. Of the 207 AFH in Clark County, 181 contract for Medicare or Medicaid services or both services and would be considered a comparable alternative regarding payor source. The 181 AFHs represent 1,010 AFH beds. Of the 181 AFHs, all appear to accept patients requiring some skilled nursing services. Given that the proposed SNF will be providing those services, all 181 adult family homes could be considered a comparable alternative to the proposed facility. Of these 181 adult family homes, only 52 (51%) had no limitations related to the types of patients accepted. For those AFHs with stated limitations, the limitations related to patient admissions include:

- no diabetic patients
- no HIV or communicable diseases (including HIV)
- no catheters
- no oxygen
- no non- ambulatory/wheelchairs/walkers
- no obese pts or full body lifts or two person transfers
- no mental health or developmentally disabled pts
- no wanderers or exit seekers
- no violent or combative patients
- no sex offenders
- no alcohol or substance abuse pts
- no IVs, insulin dependent, or diabetic pts

As with BH, AFHs may also limit the types of patients that would be accepted into the home. Rationale for the limitations may include the adult family home owner's personal preferences related to patients, ability or inability to provide particular services, availability or lack of availability of particular equipment, or many other reasons. While the option to limit the types of patients to be served at a particular adult family home is acceptable and expected, some limitations would severely limit a patient's ability to receive services in adult family homes.

The 181 AFHs considered a comparable alternative to the proposed SNF represent a total of 1,010 adult family home beds, or 87% of the total number of 1,160 adult family home beds in Clark County. Occupancy of the 181 adult family homes and 1,010 beds ranges from 0%--for those facilities that just recently opened—to 100% at the time of the survey. Table 7 on the following page is a summary of the number of facilities operating at various ranges of occupancy and number of vacant beds. [source: January 2008 GRG report]

**Table 7
Clark County Adult Family Home Data Summary**

Name	# of Facilities	# of Beds	# of Vacant Beds
Facilities operating under 70% occupancy	59	322	154
Facilities operating between 71% and 75% occupancy	5	20	5
Facilities operating between 76% and 80% occupancy	3	15	3
Facilities operating between 81% and 85% occupancy	41	246	41
Facilities operating between 86% and 90% occupancy	0	0	0
Facilities operating between 91% and 95% occupancy	0	0	0
Facilities operating between 96% and 100% occupancy	73	407	0
Totals	181	1,010	203

As shown in Table 7 above, 59 of the 181 AFH (33%) were operating below 70% occupancy at the time of the survey, and of the 59 AFHs, 5 had just begun operations and were empty. Those five facilities represent 16 licensed and empty AFH beds. Table 7 also shows that 49 of the 181 AFH (27%) were operating between 71% and 85% occupancy, representing 49 empty beds. The largest occupancy percentage was in the 100% range, which represents 40% of the AFHs, and zero beds available. The average occupancy for the 181 AFH is 80%.

Table 7 above supports DSHS’s assertions that AFHs are also a viable option for nursing facility care. However, the data above also supports MCSC’s assertions that occupancy of adult family homes in Clark County is high.

Home Care, Home Health, and Hospice services

Home Care, Home Health, and Hospice services are all provided to ill, disabled, or vulnerable patients within the patient’s temporary or permanent residence. The patient’s residence may be a personal home, boarding home, adult family home, nursing home, or any other residence considered by the patient to be “home.”

Home Care

Home care services include, but are not limited to, personal care services, such as, such as assistance with dressing, feeding, and personal hygiene to facilitate self-care; homemaker assistance with household tasks, such as housekeeping, shopping, meal planning and preparation, and transportation; respite care assistance and support provided to the family; or other nonmedical services or delegated tasks of nursing under RCW 18.79.260(3)(e). Given that a home care agency does not provide special services as defined within DSHS WAC 388-76-540, a home care agency could not be considered a viable option for patients proposed to be served by MCSC.

Home Health

Home health services include but are not limited to nursing services, home health aide services, physical/occupational/speech/respiratory therapies, nutritional services, medical social services, and home medical supplies or equipment services. Home health services are typically provided to patients discharged to their residence by a long-term care facility or hospital for a lower level of care. A boarding home or adult family home may contract with a home health agency to provide

those services to their residents. Additionally, a patient may contract directly with a home health agency to provide services at the patient’s residence.

For the 25 boarding homes, GRG obtained data related to the boarding home’s willingness to contract for home health services. Out of 25 boarding homes, 11 contract for home health services and 14 do not. The average occupancy for the 11 boarding homes that contract directly for home health services is 80%.

GRG data revealed that 107 of the 181 adult family homes (59%) contract for home health services directly and 69 (38%) do not.¹³ For the 107 adult family homes that contract directly for home health services, 38—or 35%--were operating at 100% occupancy at the time of the survey. The average occupancy of the 107 AFH that contract directly for home health services is 79%.

Eligibility for Medicare and Medicaid home health services is governed by Center Medicare and Medicaid Services (CMS). Medicare covers home health services as long as a patient is eligible and the patient’s physician orders the services; however, skilled nursing care and home health aide services are only covered on a part-time or “intermittent” basis. This means there are limits on the number of hours per day and days per week that a patient may receive skilled nursing or home health aid services. Those limits include skilled nursing care needed fewer than seven days each week or less than eight hours each day over a period of 21 days. Additionally, to obtain funding from Medicare for home health services, a home health patient must be home-bound.¹⁴ Medicaid may help with medical costs for some patients, however, to qualify for Medicaid, a patient must be considered a low income patient. [source: CMS Handbook: Medicare and Home Health Care]

For the Clark/Skamania planning area, there are five home health agencies, and three of those are Medicare certified. All five agencies are located in Clark County. The Office of Health Care Survey, which licenses and surveys home health agencies, does not collect data regarding occupancy or utilization of the agencies. Given that home health care is provided at the patient’s residence, capacity for a home health agency is typically measured by its ability to retain or recruit additional staff to meet the number of the agency’s visits and the needs of the patients. Based on the information above, home health services may be an option for a small number of patients described within the MCSC application. Patients described within MCSC application are higher acuity patients, such as those served within existing SNFs within the county. [source: Application, p4] Typically, a patient would be discharged from a nursing home to a residence for home health services.

Hospice or Hospice Care Centers

In contrast to the home health agency that provides curative care for patients, hospice services are designed to offer palliative care for terminally ill patients with a life expectancy of six months or less. Hospice patients and their families are provided emotional, spiritual, and bereavement support in the final stages of the patient’s life. Similar to home health services, hospice services

¹³ Representative from the remaining five adult family homes indicated that they “do not know” whether their adult family home contracts for home health services.

¹⁴ CMS states that a patient is considered homebound if leaving home is medically contraindicated or if the patient has a condition that restricts his or her ability to leave home without a supportive device (i.e. crutches, cane, wheelchair, walker), special transportation or the assistance of another person. The person who rarely leaves home because of feebleness and insecurity brought on by advanced age, but does not meet any of the conditions previously described, is not considered homebound.

are typically provided in the patient’s residence. [source: RCW 70.127.010] In some areas, a hospice patient may elect to receive hospice services in a hospice care center. Regardless of the setting, a hospice patient receives the same type of services. A boarding home, adult family home, or nursing home may also contract with a hospice agency to provide those services to their residents. The planning area has one hospice agency and one hospice care center, and both are Medicare certified and located in Clark County. Given that hospice services are palliative rather than curative, typically a patient would be discharged from a nursing home to a residence for hospice services. In other words, hospice is generally not an alternative for nursing home patients.

Other community-based options

Additionally, DSHS’s Aging and Disability Services Administrative operates four community programs. These programs allow reimbursements for patients meeting eligibility requirements. [source: DSHS website]

- COPES (Community Options Program Entry System) Waiver is a home and community based service program that covers personal care and some special care in adult family homes, enhanced adult residential care facilities, and assisted living facilities.
- The Medicaid Personal Care is a state plan personal care program for Medicare beneficiaries who do not meet the COPES eligibility criteria. These services are covered in the patient’s personal residence, adult family homes, or adult residential care facilities.
- Medically Needy Residential Waiver is a program that pays for personal care and other services for aged, blind, or disabled individuals residing in adult family homes, enhanced adult residential care facilities, and assisted living facilities. This waiver serves patients whose income is too high to qualify for other programs.
- CHORE is a state-funded program that provides in-home personal care services to non-Medicaid eligible, low-income, disabled or very frail adults who still live in their own homes.

Of the four community programs described above, only COPES Waiver would be an alternative to the nursing home patients proposed to be served by MCSC. The remaining three programs focus on personal care reimbursement, rather than special care proposed to be provided in the MCSC SNF. For this project, DSHS did not provide data regarding the number of Clark/Skamania planning area patients in COPES Waiver program. Rather, comments provided by DSHS for this project regarding availability of community based long term care options in the planning area suggest that the addition of nursing home beds is necessary. [source: DSHS January 22, 2008, public comment]

Table 8 below summarizes the types of services provided by boarding homes, boarding homes with adult residential care (ARC), boarding homes with enhanced adult residential care (EARC), boarding homes with assisted living services (ALS), adult family homes, and skilled nursing facilities/nursing homes.

**Table 8
Clark/Skamania Planning Area Services Summary**

Types of Services	BH	BH-ARC	BH-EARC	BH-ALS	AFH	SNF/NF
Personal care services	Yes	Yes	Yes	Yes	Yes	Yes
Special care services	No	No	Yes	Yes	Yes	Yes
Intermittent nursing care	No	No	Yes	Yes	Yes	Yes
Medication administration services	No	No	Yes	Yes	Yes	Yes
Nursing care (in excess of 24 hours)	No	No	No	No	No	Yes

As summarized in Table 8 on the previous page, for community based services, boarding homes with either enhanced adult residential care services or assisted living services and adult family homes would provide services similar to those provided at a skilled nursing facility. Occupancy percentages of the boarding homes and adult family homes indicate that a small number of beds are available in the community-based settings. The occupancy of the community based settings also demonstrate that DSHS's intent to move patients from the nursing home setting into boarding and adult family homes has been successful for those patients appropriate for the community based setting.

In conclusion, based on data provided by the applicant, data provide during the review of this project, population data provided by OFM, and data obtained by the department regarding occupancy and availability of nursing homes, boarding homes, and adult family homes in the planning area, twelve conclusions can be reached to support the needed bed capacity of this project.

1. Clark/Skamania planning area's current (2008) bed to population ratio is 21/1,000 aged 65+ equating to an allocation of 698 additional nursing home beds to the planning area.
2. Clark/Skamania planning area's projected (2010) bed to population ratio is 20/1,000 aged 65+ equating to an allocation of 907 additional nursing home beds to the planning area.
3. Based on the current bed to population ratio of 21/1,000, it is reasonable to conclude that the current capacity of the existing nursing homes is needed.
4. Based on projected population of the planning area, it is also reasonable to conclude that additional nursing home beds will be needed in projection year 2010.
5. The addition of 120 nursing home beds to the county brings the current (2008) bed to population ratio to 24/1,000, still far below the 40/1,000 established ratio.
6. The addition of 120 nursing home beds to the county increases the projected (2010) bed to population ratio to 22/1,000, still far below the 40/1,000 established ratio.
7. Year 2006 average occupancy of the licensed NF and SNFs in the planning area was 87.4%, which equates to 89 vacant licensed beds. This average occupancy includes the occupancy of Heritage Health and Rehabilitation Center's 53 beds, which were banked under full facility closure on October 31, 2007.
8. Residents of nursing homes in Clark/Skamania planning area appear to be properly placed.
9. The planning area experiences high occupancies of its existing nursing home beds.
10. The number of boarding homes in the planning area with enhanced adult residential care or assisted living services that accept Medicare or Medicaid payor sources is 18, equating to 1,100 beds. Average occupancy of the BH was 90% equating to 106 vacant beds at the time of the survey.
11. The number of adult family homes in the planning area that accept Medicare or Medicaid payor sources is 181, equating to 1,010 AFH beds. Average occupancy of the AFHs was 79%, equating to 212 vacant beds at the time of the survey.
12. The high occupancy of the existing nursing homes within the planning area coupled with the projected population of Clark County and the growth rate of the county demonstrates a need for additional nursing home beds in the planning area to serve those patients that would not be candidates for the community based setting.

For the reasons stated in this evaluation, the department concludes that need for a 120-bed skilled nursing facility in the Clark/Skamania planning area is supported by the data. Given the documented availability and accessibility of the existing providers in the county, the department

concludes an additional SNF is necessary to meet the projected need in the community. As a result, the department concludes that this sub-criterion is met.

- (2) All residents of the service area, including low-income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups and the elderly are likely to have adequate access to the proposed health service or services.

As previously stated, subsidiaries of Manor Care, Inc. owns, operates or manages over 500 healthcare facilities, including four nursing homes, one home care agency, and one home health agency in Washington State. Through these health care facilities, Manor Care, Inc. provides health care services to residents of the service area including low-income, racial and ethnic minorities, handicapped and other underserved groups. To demonstrate compliance with this sub-criterion, MCSC provided a copy of its draft Admission Agreement to be used at MCSC. A review of the draft agreement indicates that patients would appropriately be admitted to MCSC provided that the patient was a candidate for nursing care. [source: Application, Attachment 7]

Manor Care also provided a copy of its current Resident Handbook provided to each resident upon admittance to a Manor Care nursing facility. The Resident Handbook would also be used at the new Salmon Creek facility. The handbook states that Manor Care will not discriminate in its admissions decisions based on race, color, religion, sex, national origin, age, mental or physical handicap or communicable or contagious disease. In addition, the resident handbook discusses the patient's right to dignity, respect and personal safety as a resident of Manor Care. [source: Application, Attachment 7]

To determine whether low income residents would have access to MCSC, the department uses the facility's Medicaid eligibility or contracting with Medicaid as the measure to make that determination. Given that MCSC is not currently operating, a contract with Medicaid is not yet established. Documents provided in the application demonstrate that MCSC would establish the appropriate relationships with both Medicare and Medicaid.

While both documents above demonstrate the applicant's intent to comply with this sub-criterion, if this project is approved, to ensure MCSC would continue to comply with this requirement, MCSC would have to agree to the following term.

Prior to commencement of the project, Manor Care of America, Inc. shall provide to the department a copy of the Manor Care of Salmon Creek's final Admissions Agreement. This agreement must state that all services at this facility will be accessible to all persons without regard to race, color, ethnicity, sexual preference, disability, national origin, age or ability to pay.

Based upon the information presented in the application and agreement to the above term, the department concludes all residents would have access to Manor Care of Salmon Creek, and this sub-criterion would be met.

C. Financial Feasibility (WAC 246-310-220)

Based on the source information reviewed, the department determines that the application is consistent with the applicable financial feasibility criteria in WAC 246-310-220.

(1) The immediate and long-range capital and operating costs of the project can be met.

As stated earlier, the estimated capital expenditure for this project is \$15,009,975, of which 59% is related to constructions costs; 14% is related to land purchase; 13% is related to equipment costs; 6% is related to corporate overhead; 5% is related to state sales tax; and the remaining 3% is related to fees and real estate taxes. [source: Application, p20]

To determine whether MCSC would meet its immediate and long range operating costs, the department evaluated projected balance sheets for the first three years of operation as a 120 bed facility. A summary of the balance sheets is shown in Tables 9 below. [source: Application, Exhibit 11, Schedule B]

**Tables 9
Manor Care of Salmon Creek Balance Sheet for Projected Years 2010-2012
Year 2010**

Assets		Liabilities	
Current Assets	\$ 358,536	Current Liabilities	\$ 188,972
Fixed Assets	\$ 12,524,200	Other Liabilities	\$ 11,731,397
Other Assets	(\$ 433,930)	Total Liabilities	\$ 11,920,369
		Equity	\$ 528,437
Total Assets	\$ 12,448,806	Total Liabilities and Equity	\$ 12,448,806

Year 2011

Assets		Liabilities	
Current Assets	\$ 831,660	Current Liabilities	\$ 386,565
Fixed Assets	\$ 12,584,200	Other Liabilities	\$ 9,780,301
Other Assets	(\$ 439,930)	Total Liabilities	\$ 10,166,866
		Equity	\$ 2,809,063
Total Assets	\$ 12,975,930	Total Liabilities and Equity	\$ 12,975,930

Year 2012

Assets		Liabilities	
Current Assets	\$ 1,205,269	Current Liabilities	\$ 544,414
Fixed Assets	\$ 12,872,200	Other Liabilities	\$ 6,626,301
Other Assets	(\$ 480,310)	Total Liabilities	\$ 7,170,715
		Equity	\$ 6,426,444
Total Assets	\$ 13,597,159	Total Liabilities and Equity	\$ 13,597,159

In addition to the projected balance sheets summarized above, the applicant also provided its Statement of Operations for years 2010 through 2012 as a 120 bed facility. [source: Application, Exhibit 11, Schedule C] A summary of the Statement of Operations is shown in Table 10 on the following page.

Table 10
Manor Care of Salmon Creek Statement of Operations Summary
Projected Years 2010 through 2012

	Year One (2010)	Year Two (2011)	Year Three (2012)
# of Beds	120	120	120
# of Patient Days	11,826	28,470	41,610
% Occupancy	27%	65%	95%
Net Revenue*	\$ 3,825,820	\$ 9,210,308	\$ 13,461,218
Total Expense	\$ 3,115,478	\$ 6,063,716	\$ 8,460,610
Net Profit or (Loss)	\$ 710,342	\$ 3,146,592	\$ 5,000,608
Net Revenue per patient day	\$ 323.51	\$ 323.51	\$ 323.51
Total Expenses per patient day	\$ 263.44	\$ 212.99	\$ 203.33
Net Profit or (Loss) per patient day	\$ 60.07	\$ 110.52	\$ 120.18

*Includes deductions for bad debt and contractual allowances

As shown in Table 10 above, MCSC anticipates it will operate the new 120 bed facility at a profit in the first three years of operation, even though the projected occupancy in year one, the facility's ramp-up year, will be 27%.

In Washington State, Medicaid nursing facility rates are set by the Nursing Home Rates Section of the Office of Rates Management part of the Aging and Disability Services Administration of the Department of Social and Health Services. Medicaid rates for long term care nursing facilities are set individually for each specific facility. Rates are based generally on a facility's costs, its occupancy level, and the individual care needs of its residents. The Medicaid payment rate system does not guarantee that all allowable costs relating to the care of Medicaid residents will be fully reimbursed. The primary goal of the system is to pay for nursing care rendered to Medicaid-eligible residents in accordance with federal and state laws, not to reimburse costs—however defined—of providers. A facility's overall Medicaid rate is comprised of rates for the following seven separate components:

- Direct care - nursing care and related care provided to residents
 - Therapy care - speech, physical, occupational, and other therapy
 - Support services - food and dietary services, housekeeping, and laundry
 - Operations - administration, utilities, accounting, and maintenance
 - Variable return - an incentive payment for relative efficiency
 - Property - depreciation allowance for real property improvements, equipment and personal property used for resident care
 - Financing allowance - return on the facility's net invested funds i.e., the value of its tangible fixed assets and allowable cost of land
- [source: An Overview of Medicaid Rate Setting for Nursing Facilities in Washington provided by DSHS]

For existing nursing homes, the component rates are based on examined and adjusted costs from each facility's cost report. For new nursing homes, such as this project, the initial Medicaid rate is set using a peer group review. [source: DSHS WAC 388-96-710(3)]

All component rates require, directly or indirectly, use of the number of resident days—the total of the days in residence at the facility for all eligible residents—for the applicable report period.

Resident days are subject to minimum occupancy levels. Effective July 1, 2002, the minimum occupancy for direct care, therapy care, support services, and variable return component rates is 85%; for operations, financing allowance, and property component rates, the minimum occupancy rate is 90%.¹⁵ If resident days are below the minimum, they are increased to the imputed occupancy level, which has the effect of reducing per resident day costs and the component rates based on such costs. If the actual occupancy level is higher than the minimum, the actual number of resident days is used. [source: An Overview of Medicaid Rate Setting for Nursing Facilities in Washington provided by DSHS]

Information obtained from the Office of Rates Management within DSHS indicates that MCSC's Medicaid reimbursement rate would be approximately \$184 per patient day. Within the pro forma Statement of Operations, MCSC projected the reimbursement rate to be \$150.62; therefore, the department concludes that the estimated revenues in Table 10, while most likely understated, are reasonable. The department compared the estimated expenses for MCSC to the annual expenses of the existing SNF's in Clark County, and that comparison revealed that the estimated expenses in Table 10 are also reasonable. [source: Application, Exhibit 11 and Year 2006 DSHS cost report summary]

SEIU Healthcare 775NW and Pacific Specialty submitted concerns regarding the percentage of Medicaid services proposed to be provided at MCSC. Both entities suggest that compared to the existing facilities in Clark County, MCSC would provide less than one-half of the Medicaid services. [source: SEIU January 30, 2008, public hearing documents and Pacific Specialty January 30, 2008, public hearing documents]

In response to the concerns raised, the applicant provided the following statements:

"We have always served Medicaid patients and do not discharge based on payer type. Manor Care nursing centers are known in their communities as rehabilitation providers. Ninety-five percent of the inquiries to our nursing homes in Washington come from hospitals with patients needing SNF rehabilitation reimbursable through Medicare or insurance. ...Many of our patients have Medicaid as a back-up payer; however, these patients do not appear as Medicaid on reports because either Medicare or an HMO is the primary reimbursement provider. These patients are then discharged to home or a lower level of care."

Responses provided by the applicant adequately address the concerns raised regarding the percentage of Medicaid patients proposed to be served at MCSC.

To further analyze short-term and long-term financial feasibility of nursing home projects and to assess the financial impact of a project on overall facility operations, the department uses a financial ratio analysis. The analysis assesses the financial position of an applicant, both historically and prospectively. The financial ratios utilized are: **1)** current assets to current liabilities; **2)** current and long-term liabilities to total assets; **3)** total operating expense to total operating revenue; and **4)** debt service coverage ratio. If a project's ratios are within the expected

¹⁵ For essential community providers—i.e., facilities at least a forty minute drive from the next closest nursing facility—the minimum occupancy is set at 85% for all components in recognition of their location in lesser-served areas of the state. MCSC would not meet the definition of an essential community provider.

value range, the project can be expected to be financially feasible. Table 11 below summarizes the projected financial ratios for MCSC. [source: Application, Exhibit 12]

**Table 11
Manor Care of Salmon Creek Projected Financial Ratios**

RATIO	GUIDELINE:	*	Year 1 2010	Year 2 2011	Year 3 2012
Current Ratio	1.80-2.50	Above	1.90	2.15	2.21
Assets Financed by Liabilities	0.60-0.80	Below	0.02	0.03	0.04
Total Operating Expense to Total Operating Revenue	1.00	Below	0.91	0.73	0.70
Debt Service Coverage	1.50-2.00	Above	N/A	N/A	N/A

*A project is considered more feasible if the ratio is above or below the value/guideline as indicated.

The applicant provided the following statement in reference to the ratios:

“Due to the accounting of interunit transactions between the facility and the Corporate entity, the true value of some of the facility’s assets and liabilities are not accurately represented, (i.e. the facility does not keep its own cash, therefore they show a minimal cash balance). This obviously affects the ratio calculations shown above”.

[source: Application, Exhibit 12]

As shown in Table 11 above, all ratios are within or favorably outside the guideline ratio in the first three years of operation. The costs for the project would be financed from Manor Care’s cash reserves. As the financing for this project is a cash transaction, the debt service ratio is not applicable. [source: Application, Exhibit 9] Therefore, the department concludes MCSC’s financial ratios, as illustrated in Table 11, demonstrate that the project is financially feasible.

Based on the financial information above, the department concludes that the long-term capital and operating costs of this project would be met. This sub-criterion is met.

(2) The costs of the project, including any construction costs, will probably not result in an unreasonable impact on the costs and charges for health services.

The per-patient-day costs were compared to the year 2005 and 2006 costs of the nine nursing homes operating in Clark County. Based on that comparison, MCSC’s per patient day costs are consistent with the existing nursing homes in Clark County. [source: 2005 and 2006 DSHS cost report summaries] This sub-criterion is met.

(3) The project can be appropriately financed.

As stated in the project description portion of this evaluation, the estimated capital expenditure for this project is \$15,009,975. A breakdown of the capital expenditure is shown in the chart on the following page. [source: Application, p20]

Item	Amount
Construction Costs	\$ 8,837,755
Land Purchase & Site Preparation	2,080,000
Equipment (Fixed and Moveable)	2,022,748
Corporate Overhead	856,415
Washington State Sales Tax	701,257
Fees	486,800
Real Estate Tax	25,000
TOTAL	\$ 15,009,975

Included above is a line item entitled: Corporate Overhead. MCSC provided the following explanation for this line item:

“These costs would be better described as “other development costs” and are the additional indirect costs that area associated with the project. These costs include a portion of the salaries of Manor Care’s internal health planning, land development, architecture, construction, purchasing, interior design, accounting, financial planning, quality assurance, management, legal and other support staff associated with this project. [The costs also include] a portion of the overhead costs (such as rent and utilities) that are necessary to house the above staff.”

[source: Application, p21]

Based on the explanation, the department concludes it is reasonable to include corporate overhead in the estimated costs for this project. To further demonstrate compliance with this sub-criterion, the applicant provided a copy of the Purchase Agreement for the site of MCSC in Salmon Creek. As stated in the project description portion of this evaluation, the postmaster has not yet provided an address for the site; however, the Clark County Assessor Office identifies the site with five separate parcel numbers. The Purchase Agreement identifies the costs for the land. Further, the applicant provided documentation from the Clark County Commissioner Office demonstrating that the land has been rezoned and appropriate for the intended use. [source: Application, Exhibit 5]

The source of financing for the project will be from Manor Care, Inc. cash reserves. [source: Application, p 25 and Exhibit 9] To demonstrate compliance with this sub-criterion, MCSC provided Manor Care, Inc.’s 2005 and 2006 historical financial documentation. [source: Application, Exhibit 10] Those documents confirm that Manor Care, Inc. currently has the funds to finance the project, and this project would not adversely affect the financial stability of Manor Care, Inc.

Based on the above information, the department concludes that the project can be appropriately financed. This sub-criterion is met.

D. Structure and Process (Quality) of Care (WAC 246-310-230)

Based on the source information reviewed, the department determines that the application is consistent with the applicable structure and process of care criteria in WAC 246-310-230.

(1) A sufficient supply of qualified staff for the project, including both health personnel and management personnel, are available or can be recruited.

As previously stated, Manor Care, Inc. or one of its subsidiaries owns, operates, or manages over 500 healthcare facilities, which includes skilled nursing centers, assisted living facilities, outpatient rehabilitation clinics, hospice and home health agencies across the nation. [source: Manor Care website] For this project, MCSC proposes to recruit approximately 116 FTEs to staff the new 120-bed facility. Table 12 below shows the breakdown of FTEs [source: Application, p29]

**Table 12
Manor Care of Salmon Creek Projected FTEs**

FTE	Total
RNs	9.6
LPN	12.3
Nurses Aides & Assistants	40.0
Dietitians	1.0
Aides	10.1
Administrator	1.0
Activities Director & Assistant	2.0
In-Service Director (RN)	1.0
Director of Nursing & Assistant	2.0
Clerical	3.5
Housekeeping/maintenance	6.9
Laundry	3.5
Physical Therapists & Aides	5.5
Occupational Therapist & Aides	3.5
Medical Records	1.0
Social Worker	3.0
Plant Engineer	1.0
Others ¹⁶	9.4
Total FTE's	116.3

As shown in Table 12, MCSC expects to recruit approximately 116 FTEs for the new 120 bed SNF. Additionally, MCSC provided job descriptions for key staff, such as medical director, administrator, administrative director of nursing services, physical therapists, etc. The applicant states that it has developed over 100 new facilities in the past 20 years, and has never had difficulty recruiting staff for a new facility. MCSC would offer transfer opportunities to employees and through its career ladder programs, has the ability to offer promotion to nurses from existing MCSC facilities to staff this new center. MCSC expects its recruitment of staff to have little impact on existing providers because the facility would grow slowly over three years and any impact would not be sudden or unmanageable. [source: Application, pp29-30]

¹⁶ Other FTEs include HR director, speech therapist, admission coordinator, case manager, and nurse specialists.

Based on the information provided in the application, the department concludes that MCSC provided a comprehensive approach to recruit and retain staff necessary for the new, 120-bed SNF. Additionally, as previously stated, the department compared years 2005 and 2006 average nursing hours per patient day of existing Clark County nursing homes with the applicants proposed nursing hours per patient day. That comparison revealed that MCSC's projected nursing hours per patient day are comparable to the county's average. [see Table 2 within this evaluation.]

SEIU Healthcare 775NW and Pacific Specialty submitted comments in opposition to this project. The comments focused on the recent purchase of MCSC's parent corporation, Manor Care, Inc., by The Carlyle Group, a for-profit entity. Both SEIU and Pacific Specialty are concerned that the ownership change may result in reduced staffing and quality of care. Pacific Specialty suggested that Manor Care's submission of this project was too soon after the purchase to conduct an objective evaluation on the impact of the new ownership on the Manor Care facilities. [source: SEIU January 30, 2008, public hearing documents and Pacific Specialty January 30, 2008, public hearing documents]

In its rebuttal responses, MCSC disputed the concerns and provided a copy of an October 15, 2007, letter with signatures from representative of both Manor Care and The Carlyle Group. The letter, addressed to DSHS, discusses the commitments by both Manor Care and The Carlyle Group regarding quality of care, appropriate staffing, continued staff training, and physical maintenance of the facilities to ensure safe and proper operations. [source: February 12, 2008, Manor Care rebuttal documents]

When this application was submitted in August 2007, the purchase of Manor Care by The Carlyle Group had not yet occurred. Manor Care announced that the purchase would occur on July 2, 2007, however, the regulatory process was finalized in December 2007—almost six months later. All regulatory requirements were met in the states where Manor Care operated health care facilities. At least five states—Florida, Illinois, Michigan, Pennsylvania, and Wisconsin—conducted hearings on the action, which included Senate Committee on Aging and the House Ways and Means Subcommittee on Health. Additionally, a number of states—including Washington—conducted public hearings on the action. Those hearings were facilitated by the licensing and/or surveying entity for the Manor Care facilities. In attendance for the Washington State hearing were the Secretary of DSHS, DSHS Chief Licensure, Washington Senior Citizen's lobbyists, legislators, resident advocates, long-term care ombudsman, and community members. Representatives from both Manor Care and The Carlyle Group also attended the hearing.

DSHS required Manor Care and The Carlyle Group to submit all appropriate documentation for the ownership change. DSHS completed its review and then waited for the results of the other states' investigations before approving the transaction. In short, DSHS was thorough and cautious about approving this transaction. During the course of reviewing this project, DSHS submitted a letter stating that it would not oppose approval of this project. If DSHS had concerns regarding reduced staffing or quality of care for Manor Care, the department would expect DSHS would voice those concerns during this review. Currently, Manor Care has a record of compliance with state and federal regulations in Washington and other states. Data reviewed for this project does not suggest that the change of ownership would affect staffing or quality of care at the Manor Care facilities.

Based on the above evaluation and information provided in the application, the department concludes that qualified staff can be recruited. This sub-criterion is met.

- (2) The proposed service(s) will have an appropriate relationship, including organizational relationship, to ancillary and support services, and ancillary and support services will be sufficient to support any health services included in the proposed project.

Manor Care, Inc. is an established provider of SNF services in Washington State, as such; some ancillary and support services are already established. MCSC would participate in the corporate national contract for pharmacy, IV therapy and radiology services. The application identified the remaining ancillary and support services required and recognized that local providers had not yet been contacted. If this project is approved, MCSC stated that local providers “will be contacted at the appropriate time to establish contracts for services.” [source: Application, pp30-31]

As indicated above, some ancillary and support services will be provided through a national contract with Manor Care, Inc. and some will be provided by community providers in Clark County. Based on the information provided in the application, the department concludes that MCSC intends to meet this requirement; however, if this project is approved, to ensure that appropriate agreements will be established, the applicant must agree to the following term:

Prior to providing services at Manor Care of Salmon Creek, Manor Care Inc. will provide functional plans outlining the services to be provided through a national contract with Manor Care, Inc. and those that would be provided within Clark County.

Provided that the applicant would agree to the term outlined above, the department would conclude that there is reasonable assurance that Manor Care of Salmon Creek would have appropriate ancillary and support services, and this sub-criterion would be met.

- (3) There is reasonable assurance that the project will be in conformance with applicable state licensing requirements and, if the applicant is or plans to be certified under the Medicaid or Medicare program, with the applicable conditions of participation related to those programs.

As stated in the project description portion of this evaluation, HCR Manor Care, Inc. is located in Delaware and is the operating group of Manor Care, Inc, an owner and operator of long-term health care centers in the United States. As of the writing of this evaluation, Manor Care, Inc. has over 500 skilled nursing centers, assisted living facilities, outpatient rehabilitation clinics, and hospice and home health offices in 30 states.¹⁷ The majority of the health care facilities are operated under the names of, or dba of, Manor Care, Arden Courts, and Heartland.

To evaluate this sub-criterion, the department requested quality of care histories from the states where Manor Care, or any of its subsidiaries, owns or operates healthcare facilities--which represents a total of 291 health care facilities. Through either return of the quality of care survey or by accessing the Center for Medicare and Medicaid Services website, the department was able to obtain information representing all 30 states. A review of data from the 30 states revealed that four states—Florida, Indiana, Michigan, and West Virginia—reported substantial non-compliance issues at one or more of the healthcare facilities operated by HCR Manor Care or one of its subsidiaries. There are a total of 69 facilities within the four states, and of those, 8 facilities--or

¹⁷ States include: Arizona, California, Colorado, Delaware, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Maryland, Michigan, Missouri, Nevada, New Jersey, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, South Carolina, South Dakota, Texas, Utah, Virginia, Washington, West Virginia, and Wisconsin.

12%--indicated significant non-compliance issues that were subsequently corrected by Manor Care or one of its subsidiaries. Further, the majority of the significant non-compliance citations related to isolated incidences and did not represent immediate jeopardy to patients. [source: compliance survey data provided by each state agency or CMS website] According to documents provided by the out-of-state licensing agencies, Manor Care resolved the significant non-compliance issues and no disciplinary actions were taken by the out-of-state surveying agencies.

As stated in the project description portion of this evaluation, Manor Care or one of its subsidiaries owns or operates four skilled nursing facilities two in-home services agencies in Washington State. A review of the quality of care histories from those six healthcare facilities from January 2005 through March 2008 revealed no significant non-compliance issues at any of the six facilities.

Based on the above information, the department concludes that there is reasonable assurance that Manor Care of Salmon Creek would be operated in conformance with applicable state and federal licensing and certification requirements, and this sub-criterion is met.

- (4) The proposed project will promote continuity in the provision of health care, not result in an unwarranted fragmentation of services, and have an appropriate relationship to the service area's existing health care system.

With this project, MCSC anticipates it will promote continuity in the provision of health care to the residents of the planning area by improving local access to health care services for a growing community. Given that the new SNF will also be part of the Manor Care, Inc. healthcare system, MCSC will participate in the existing working relationships with local nursing homes and other health services in the service area. Therefore, this sub-criterion is met.

- (5) There is reasonable assurance that the services to be provided through the proposed project will be provided in a manner that ensures safe and adequate care to the public to be served and in accord with applicable federal and state laws, rules, and regulations.

This sub-criterion is addressed in sub-section (3) above and is considered met.

E. Cost Containment (WAC 246-310-240)

Based on the source information reviewed, the department determines that the application is consistent with the applicable cost containment criteria in WAC 246-310-240.

- (1) Superior alternatives, in terms of cost, efficiency, or effectiveness, are not available or practicable. Before submitting this application for review, MCSC considered and dismissed three options. Those options and the reasons they were rejected are discussed below. [source: Application, p32]

Option 1-Do nothing

MCSC states it dismissed this option because the planning area's population is expected to grow 8% between 2007 and 2010. The population growth in the 65+ age group is also anticipated to grow. Without additional beds in the planning area those needing skilled care in the future would be forced to seek care outside of the state (Oregon) or planning area, or seek care at an inappropriate level (assisted living), or receive no care. MCSC further states that this option reduces competition among nursing home providers because they could remain fully occupied without competing.

Option 2-Purchase or lease an existing building to convert to nursing home care.

MCSC asserts that this option was dismissed because there are no buildings in the Salmon Creek area of Clark County that could be appropriately converted to nursing home use. Further, the increased operating costs that could result from operating a converted building (as opposed to new construction) could make this option less financially attractive.

Option 3-Expansion of existing facilities

MCSC states that none of the current providers filed a letter of intent to add beds to their facility to address the need. The applicant further states that prudent planning and implementation does not rely on waiting for a particular provider to take action.

The department notes that while the applicant identified the three options above, expansion of existing facilities (Option 3) is not a decision that can be made by MCSC. Therefore, the department does not consider it an alternative for the applicant to consider.

Further, both options 2 and 3 require prior Certificate of Need review and approval. For Certificate of Need applications for additional skilled nursing beds, regardless of whether it is a bed addition to an existing facility or the establishment of a new facility, an applicant must demonstrate that need exists for the additional bed capacity and existing providers are neither available nor accessible.

For this project, when applying the numeric methodology, the department and the applicant both concluded that the Clark/Skamania planning area is under the target 40/1,000 bed to population ratio. As previously stated, the numeric methodology is a population-based assessment to determine the baseline supply of nursing home beds within the state and planning areas to determine whether the existing number of beds is adequate to serve the elderly population. The applicant must also demonstrate that the existing providers are not available or accessible to meet the skilled nursing need of the county [WAC 246-310-210(1)]. Documents within the application met this sub-criterion. Therefore, the department concludes that this sub-criterion is met.

(2) In the case of a project involving construction:

(a) The costs, scope, and methods of construction and energy conservation are reasonable;

As stated in the project description portion of this evaluation, this project involves construction. This sub-criterion is evaluated within the financial feasibility criterion under WAC 246-310-220(2). Within that evaluation, the department determined the sub-criterion was met, therefore, this sub-criterion would also be considered met.

(b) The project will not have an unreasonable impact on the costs and charges to the public of providing health services by other persons.

This sub-criterion is also evaluated within the financial feasibility criterion under WAC 246-310-220(2). Within that evaluation, the department determined the sub-criterion was met, therefore, this sub-criterion would also be considered met.

Based on the above evaluation, the department concludes that costs, scope, and methods of construction and energy conservation are reasonable, and this sub criterion is met.